

Message Text

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ACTION COME-00

INFO OCT-01 NEA-10 ISO-00 L-03 AGR-20 CIAE-00 EB-11 INR-10

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FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 5411

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PASS COMMERCE FOR ACTION; AGRICULTURE FOR INFO

EO 11652: N/A

TAGS: ETRD, LE

SUBJECT: INFORMAL COMPLAINT BY PRESIDENT OF LEBANESE TOBACCO
MONOPOLY

1. IN OFF THE RECORD APPROACH TO EMBOFF, PRESIDENT
OF LEBANESE TOBACCO MONOPOLY COMPLAINED OF WHAT HE
CONSIDERED TO BE OVERLY-ZEALOUS AND IMPRUDENT ACTIVITY
OF AGENTS IN LEBANON OF US CIGARETTE MANUFACTURERS.
NOTING THAT CIGARETTES NOW CONSTITUTE THE LARGEST
SINGLE IMPORT ITEM FROM THE US (IN 1972 ABOUT \$11
MILLION OUT OF A TOTAL OF \$130 MILLION). PRESIDENT
STATED THAT RAPIDLY INCREASED SALES WERE SEVERELY
HURTING THE LOCAL TOBACCO PRODUCERS WHO, AS IS KNOWN,
ARE CONCENTRATED IN SOUTHERN LEBANON, ONE OF THE
COUNTRY'S MOST UNDERDEVELOPED AREAS. HE PREDICTED
THAT IF PRESENT SITUATION CONTINUED, MEASURES WOULD
INEVITABLY BE TAKEN SUCH AS INCREASING EXCISE TAXES ON
IMPORTED CIGARETTES, WHICH HAD BEEN LOWERED SEVERAL
YEARS AGO IN AN EFFORT (MAINLY SUCCESSFUL) TO CUT DOWN
ON CONTRABAND. REGARDING CONTRABAND, PRESIDENT MAINTAINED
THAT IN RECENT MONTHS THIS HAD NOTICEABLY INCREASED AND
REPRESENTED AT PRESENT ABOUT 20 PERCENT OF TOTAL IMPORTS AND
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IMPLIED THAT THE AGENTS WERE TO SOME EXTENT INVOLVED.

(BY LAW OF COURSE NO CIGARETTES MAY ENTER COMMERCIALLY EXCEPT THROUGH THE MONOPOLY). HE URGED THAT THOSE ENGAGED IN CONTRABAND CEASE THEIR ACTIVITY AND THAT IN GENERAL CLOSER COOPERATION BE ESTABLISHED BETWEEN HIS OFFICE AND THE AGENTS WITH A VIEW TO SAFEGUARDING MUTUAL INTERESTS.

2. FOR THE RECORD, IT SHOULD BE NOTED THAT THE TOBACCO MONOPOLY ITSELF IS SUBJECT TO RATHER WIDESPREAD CRITICISM BECAUSE OF THE WAY IT MAGES THE DOMESTIC TOBACCO PROGRAM, AND THAT THE PRESIDENT'S REMARKS MUST THEREFORE BE TAKEN WITH A CERTAIN AMOUNT OF RESERVE WITH REGARD BOTH TO FACT AND OPINION. NEVERTHELESS THE CURRENT SITUATION IS NO DOUBT QUITE UNSATISFACTORY AND IF LEFT TO CONTINUE COULD FORCE CHANGES, INCLUDING A MARKED INCREASE IN CHARGES ON IMPORTED MANUFACTURED TOBACCO PRODUCTS (IF NOT WORSE). ACCORDINGLY IT MIGHT BE USEFUL FOR THE ABOVE INFORMATION (ALONG WITH OUR RESERVATIONS) TO BE BROUGHT DISCREETLY TO THE ATTENTION OF THE US MANUFACTURERS CONCERNED. THESE WOULD THUS BE GIVEN THE OPPORTUNITY TO REVIEW THE MATTER IF THEY WISHED AND TO DETERMINE WHETHER AN APPROACH TO THE MONOPOLY WOULD BE USEFUL.

3. FOR THE DEPARTMENT'S INFO, PHILIP MORRIS, LORILLARD, LIGGET AND MEYERS, AND R.J. REYNOLDS PRODUCTS ARE IMPORTED, WITH PHILIP MORRIS HAVING ABOUT 70 PERCENT OF THE MARKET. OFFICIAL STATISTICS INDICATE THAT QOUE CIGARETTE SALES (QUANTITY) AND RUNNING 10 PERCENT ABOVE 1972 LEVELS, WHITH THE ENTIRE INCREASE IN IMPORTED CIGARETTS WHICH NOW ACCOUNT FOR 80 PERCENT OF THE MARKET. SALES OF LEBANESE CIGARETTES WERE OFF 13 PERCENT IN VOLUME DURING THE FIRST NINE MONTHS OF 1973 COMPARED WITH A YEAR EARLIER, AND THE MARKET SHARE OFF FROM 25 PERCENT IN 1972 AND 35 PERCENT IN 1971.
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